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Understanding State Retirement Mandates

DISCOVER WHY MANY BUSINESSES PREFER A STARTER 401(K)

Many states have passed legislation that requires employers to offer a retirement option to their teams. States pair the legislation with a state-run Roth IRA program. Businesses must either use the state program or provide a different retirement plan to employees.

How does a state IRA program work?

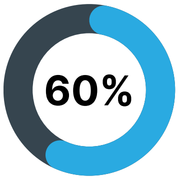
When a business opts to use a state IRA program, employees are automatically enrolled into a Roth IRA. These are not employer-sponsored plans with ERISA protections, but individual accounts that employees pay for and own. Employers are involved only to facilitate payroll deduction.

Here are important details that are common to almost all state IRA programs.

- **Employees are automatically enrolled.**
  If they don't wish to participate, they must opt out.
- **Contributions are limited.**
  Contributions are limited to $7K per year (in 2025) and employer contributions are not allowed.
- **Program fees are paid employees.**
  Costs are covered by charging asset fees and quarterly fees to participants, which are automatically removed from account assets.
- **Participating employers take on tasks.**
  In many states, employers must keep rosters up to date, facilitate payroll deductions, inform employees, and perform other day-to-day management tasks.
- **Investment options are limited.**
  Most states have a money market account, a suite of target-date funds and little else to choose from.
- **Employers get no tax benefits.**
  Unlike other plan types, state IRA programs come with no tax credits or deductions.

State Mandate Pain Points

Over 60% of working Americans are now subject to state retirement mandates. Many small business owners that were previously using a state-sponsored IRA are moving to a 401(k) because they recognize the significant weakness in state plans.



State-run IRA programs are NOT an employee benefit.

The employer doesn't sponsor them.

- State plans offer none of the design flexibility that make other retirement plans so powerful. Employers can't make contributions or tailor a state IRA to the needs of their workforce.
- Employers have no input on the investment options of state programs, which are typically very limited.
- Employers have no fiduciary responsibility or oversight of state programs to help ensure proper running for their employees.

They are not well protected.

- ERISA was created to ensure retirement plans are administered fairly and in the best interest of employees. State plans are not bound by these regulations.
- Some states do not protect IRAs from bankruptcy creditors, so financial problems could threaten retirement readiness.

They often have poor customer service.

- Customer reviews cite confusion about how plans operate,
- State programs have low star ratings and are often slow to respond to customer support requests.

The employer doesn't pay for them.

- Employees do not get a retirement benefit provided by the employer. They only get an individual account that is paid for by the employee.
- States remove their fees from account assets, affecting the long-term ability of employees to save.
- While they are free to the employer, businesses still pay with their time and attention. Employers must:
  - Facilitate employee enrollment
  - Manage payroll contributions
  - Update employee information

Since state plans do not currently integrate with Heartland, businesses must perform these functions manually.

They have very limited tax advantages.

- Federal tax credits available to employers through SECURE Act 2.0. do not apply to state IRA programs.
- Employees only have a Roth (post-tax) contribution option under most state programs, which isn't the best fit for everyone.

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Introducing the Starter 401(k)

SEE WHY BUSINESSES ARE CHOOSING THIS ALTERNATIVE TO A STATE IRA PROGRAM

After tax credits, most plans are **FREE!**

	STATE IRA	RETIRE powered by 401GO GO-STARTER
Contribution limit (2025)	$7000/yr	$7000/yr
Employer contribution	not allowed	not allowed
Automatic enrollment	required	required
Federal tax benefits for new plan	none	up to $16,500
Tax options for employees	Roth only	Roth + traditional
Employer-sponsored qualified plan	no	yes
Employer can set eligibility requirements	none	flexible
Investment options	few	diverse
15-minute setup	✗	✓
Automated management	✗	✓
Guided portfolio builder	✗	✓
Mobile app	✗	✓
Financial wellness tools	✗	✓
Highly-rated customer support	✗	✓

CLAIM YOUR CREDITS!

We'll complete IRS form 8881 and send it to you to make it easier to claim the tax credits you qualify for.

$25 per month

$2 per participant

0.3% AUM fee

We automate everything but relationships.

No one wants customer service from a robot. A team of live agents is available by phone, email or chat.

Best Support WINTER 2025

High Performer Americas WINTER 2024

Momentum Leader SUMMER 2024

★★★★★ 4.8 STAR RATING

State Plan Details

California	ACTIVE	Last deadline: 1-4 EEs, 31 Dec 25 For all with 1+ employees Penalties: $250 - $500 per eligible employee
Colorado	ACTIVE	All deadlines passed For all businesses 2+ years old that have 5+ employees Penalties: $100 per eligible employee, up to $5K/yr
Connecticut	ACTIVE	All deadlines passed For all businesses 1+ years old that have 5+ employees
Delaware	ACTIVE	All deadlines passed For all businesses 6+ months old that have 5+ employees Penalties: $250 per eligible employee, up to $5K/yr
Hawaii	NOT ACTIVE	Deadline not yet determined For all businesses with 1+ employees State will match up to $500 of the first 50K covered employees
Illinois	ACTIVE	All deadlines passed For all businesses with 5+ employees Penalties: $250 per eligible employee first year; $500 second year
Maine	ACTIVE	All deadlines passed For all business 2+ years old that have 5+ employees Penalties: $20 - $100 per employee
Maryland	ACTIVE	For all businesses 2+ yrs old that have 1+ employees and that use a payroll service or system No penalties; $300 annual filing fee waiver for participating businesses
Massachusetts	ACTIVE	MEP (401(k)) Only for nonprofits with 20 or fewer employees **legislation for a typical Roth IRA program is being considered*
Minnesota	NOT ACTIVE	Expected to launch 2026 For all businesses 1+ yrs old that have 5+ employees

Information compiled January 2025. Subject to change.

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State Plan Details

Missouri	NOT ACTIVE	Not a Roth IRA; it is an MEP (401(k)) Not mandated, it is a **voluntary program** Expected to launch 9/25
Nevada	NOT ACTIVE	Expected to launch 7/25 Deadlines: 7/25 for 1K+ employees; 1/26 for 500+; 7/26 for 100+; 1/27 for 5+ For businesses 3+ years old that have 5+ employees
New Jersey	ACTIVE	All deadlines passed For all businesses with 25+ employees Penalties: $100 - $500 per eligible employee
New Mexico	ACTIVE	**Voluntary IRA** within marketplace of options Open to all NM businesses Partnering with Colorado for efficient administration
New York	STALLED	Launch postponed; deadlines not yet determined For all businesses 2+ years old that have 10+ employees Penalties: $250 - $1000 per employee
Oregon	ACTIVE	All deadlines passed For all businesses that have 1+ employees Penalties: $100 per eligible employee, up to $5K/yr
Rhode Island	NOT ACTIVE	Pilot launching spring 2025; full launch expected fall 2025 For all businesses with 5+ employees Penalties: $250 per employee
Vermont	ACTIVE	Meant to be MEP; changed to Roth IRA before established Deadlines: 3/25 for 25+ employees; 1/26 for 15+; 7/26 for 5+ For all businesses with 5+ employees
Virginia	ACTIVE	All deadlines passed For all businesses 6+ months old that have 25+ employees Penalties: $250 per eligible employee, up to $5K/yr
Washington	NOT ACTIVE	Previously a voluntary program; launch of IRA expected 7/27 For businesses 2+ yrs old with 10,400 in combined workforce hours in the prior year

Information compiled January 2025. Subject to change.